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11 April 1953

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Copy No. 150

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 12
NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE 12-21-79 BY

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DOS review(s) completed.

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GENERAL

1. Comment on Communist explanation of POW proposal:

Nam IL's 10 April letter evades the UN request for detailed suggestions on implementing Chou En-lai's 30 March proposal. Instead it proposes that "concrete measures" be discussed in a conference, and it fails to clarify certain key questions.

The letter reaffirms the Communist commitment to the principle of total repatriation. It does not identify the neutral state to which prisoners unwilling to be repatriated are to be sent, nor does it discuss the ultimate disposition of those who remain unwilling after hearing Communist "explanations."

The Communists intend evidently to adhere to the total repatriation principle and to compromise as little as possible during the actual repatriation process. They are expected in any subsequent discussion to seek a provision enabling them to make "explanations" indefinitely or to exert veto power in the body which decides disputed cases. Moreover, they probably plan to withhold a large number of prisoners so long as any of their own personnel are classified as unwilling.

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**NEAR EAST - AFRICA****5. American and Italian companies reportedly cooperating to market Iranian oil:**

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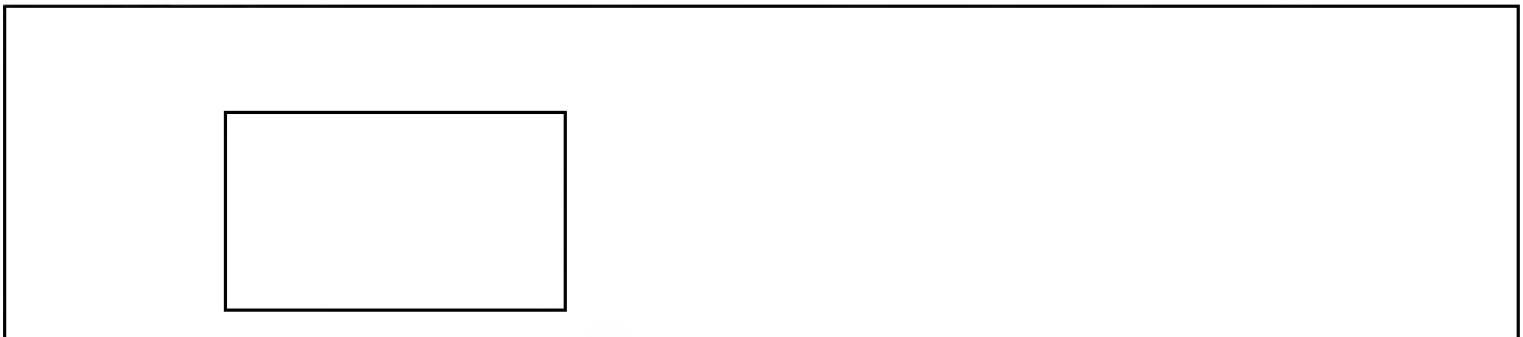


Three or four unidentified independent American oil companies have joined the Italian company EPIM to form a new company with the same name to market Iranian oil. The Tehran representative of EPIM and of Consolidated Brokerage of Denver, who furnished this information, stated that the new company will also supply the National Iranian Oil Company (NIOC) with whatever technical services and equipment it needs.

The new company reportedly has a contract with NIOC to buy 36,000,000 tons of crude oil in the next three years and it expects to send ten large tankers to Iran by the end of April. NIOC has been advanced \$3,000,000 in the form of a letter of credit and cash.

Comment: At least two American groups, Consolidated Brokerage and the US Marketing Council of New York, appear to have contracts currently in force with NIOC. As neither of these groups is known to have access to tankers, they might cooperate with EPIM.

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WESTERN EUROPE**7. Reports of new US defense policy agitate NATO delegates:**

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Several NATO delegations believe that recent Soviet moves will make "full and searching" discussion of both Communist and Western policies the most important item for the 23 April NATO ministerial meeting.

High French and British officials are agitated over the serious effects which the reports of a "new United States NATO policy" might have on European defense efforts, the prospects for French EDC treaty ratification, and the annual review. Some French press reports indicate a belief that the United States no longer sees the need for German rearmament or the EDC.

Comment: These first reactions in NATO quarters are further indications that the European countries are pre-occupied as much with American intentions as with the Communist "peace" moves.

There will probably be an increasing demand for clear-cut decisions from the 23 April meeting to meet Soviet moves and to reassure Western public opinion.

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